

STATE OF SOUTH CAROLINA
RICHLAND COUNTY

IN THE COURT OF COMMON PLEAS
FIFTH JUDICIAL CIRCUIT

Eleanor Kitzman, as Director of the South
Carolina Department of Insurance,

Petitioner,

vs.

South Carolina Insurance Company and
Consolidated American Insurance
Company,

Respondents

Civil Action Number 2005 CP 40-

**CONSENT ORDER
DECLARING INSOLVENCY
AND COMMENCING
LIQUIDATION PROCEEDINGS**

RICHLAND COUNTY
FILED
MAR 21 AM 9:10
BARBARA A. SCOTT
CLERK

This matter comes before me pursuant to the South Carolina Insurers' Supervision, Rehabilitation, and Liquidation Act. S.C. Code Ann. §§ 38-27-10, et seq. (2004). The Petitioner seeks an Order appointing her Liquidator of South Carolina Insurance Company and Consolidated American Insurance Company, the Respondents, and authorizing her to commence formal liquidation proceedings. The Respondents have been served with a copy of the aforementioned Petition in accordance with § 38-27-60 of the South Carolina Code of Laws.

The Petitioner alleges the Respondents are insolvent and in such condition as to be hazardous, financially or otherwise, to its policyholders, creditors, and the public. The Petitioner therefore asks that the Respondents be declared insolvent, that she be appointed Liquidator for the Respondents, and that the Respondents' corporate existence be dissolved. Respondents consent to this action and hereby waive their right to a hearing.

Based upon pleadings before me, I find the Court has jurisdiction over this matter and the parties. I further find the Respondents are insolvent and in such condition as to be hazardous, financially or otherwise, to their policyholders, their creditors, and the public. In light of these findings, I also determine the immediate appointment of a liquidator is necessary to protect the Respondents' creditors, claimants, and policyholders and it is in their best interest and in the best interest of the public that an Order of Liquidation appointing the Petitioner as Liquidator of the Respondents and dissolving the Respondents' corporate existence.

IT IS THEREFORE ORDERED that pursuant to S.C. Code Ann. §§ 38-27-360 and 38-27-370 (2004), the Petitioner and her successors in office, or designee, be appointed Liquidator of the Respondents.

IT IS FURTHER ORDERED that the Liquidator or her designee take immediate possession and control of the assets, estate, and all other property of the Respondents of every kind whatsoever and wherever situate and administer them under the general supervision of the Court. The Liquidator or her designee is directed to exercise all rights of the Respondents in connection with any collateral or other assets being held for the benefit of the Respondents by any person or entity. The Liquidator or her designee hereby is vested with title to all of the property, contracts, and rights of action and all of the books and records of the Respondents, wherever located, as of the entry of this Order of Liquidation.

IT IS FURTHER ORDERED that the Liquidator or her designee liquidate the Respondents' assets, including, but not limited to funds held by the Respondents' agents, subagents, producing agents, brokers, solicitors, service representatives, or others under

agency contracts or otherwise which are due and unpaid to the Respondents, including funds remitted by members, unearned commissions, agent balances, agent reserve funds, and subrogation recoveries.

IT IS FURTHER ORDERED that the Liquidator or her designee shall make an accounting to the court within six months after the date of this order and at least annually thereafter. Such reports shall include at a minimum the Respondents' assets and liabilities and all funds the Liquidator or her designee has received or disbursed during the current period, and shall be submitted to the Court for approval without necessity of a hearing.

IT IS FURTHER ORDERED that the rights and liabilities of the Respondents and its creditors, policyholders, stockholders, members, and all other persons interested in the estate of the Respondents shall be fixed as of the date of entry of this Order of Liquidation except as provided by § 38-27-560 of the South Carolina Code.

IT IS FURTHER ORDERED, pursuant to § 38-27-380 of the South Carolina Code, that all policies in effect at the time of issuance of this order, other than life or health insurance policies or annuities covered by the South Carolina Life and Accident and Health Insurance Guaranty Association or a similar foreign guaranty association, will continue in force only for the lesser of:

- (1) a period of thirty days from the date of entry of this order;
- (2) the expiration of the policy coverage;
- (3) the date when the insured has replaced the insurance coverage with equivalent insurance in another insurer or otherwise terminated the policy; or
- (4) the liquidator has effected a transfer of the policy obligation pursuant to item (8) of subsection (a) of § 38-27-400.

IT IS FURTHER ORDERED that all claims of any nature whatsoever against the assets of the Respondents held by the Liquidator or her designee must be filed upon such forms and accompanied by such proof as shall be required by the Liquidator or her designee not later than four months subsequent to the date of this order. Moreover, the Respondent's Policyholders are prohibited from surrendering their policies to the Liquidator or her designee for cash for 90 days from the date of this order.

IT IS FURTHER ORDERED under § 38-27-430 of the South Carolina Code that no action at law or equity shall be brought against the Respondents or the Liquidator or her designee in this State or elsewhere, nor shall any such existing actions be maintained or further presented after issuance of this Order of Liquidation.

IT IS FURTHER ORDERED that the Liquidator or her designee shall have full power to take all actions reasonably necessary and proper for the discharge of her responsibilities including, without limitation, those powers enumerated in S.C. Code Ann. §§ 38-27-400 (2004). Specifically, it is ordered that the Liquidator or her designee shall employ and authorize the compensation of legal counsel, actuaries, accountants, clerks, consultants, and such assistants as she deems necessary, purchase or lease personal or real property as she deems necessary, and authorize the payment of the expenses of these proceedings and the necessary incidents thereof, as approved by the Court, to be paid out of the Respondents' assets in the possession of the Liquidator or coming into her possession.

IT IS FURTHER ORDERED, under S.C. Code Ann. § 38-27-80 (2004), that all present or former officers, managers, directors, trustees, owners, employees, and agents and brokers of the Respondents, and any other persons with authority over or in charge of

any segment of the Respondents' affairs, including attorneys-at-law now or previously retained to represent the Respondents, shall cooperate with the Liquidator in the discharge of her responsibilities, and shall, in addition to all other demands for cooperation, reply promptly in writing to any inquiry from the Liquidator requesting such a reply and make available to the Liquidator or her designee any books, accounts, documents, or other records or information or property of or pertaining to the Respondents which may be in their possession, custody or control.

IT IS FURTHER ORDERED that all present or former officers, managers, directors, trustees, owners, employees, and insurance agents and brokers are to account to the Liquidator or her designee for all funds of the Respondents held by them in their fiduciary capacity or due to the Respondents, and it is ordered that these funds be directed and forwarded by such insurance agents and brokers to the Liquidator or her designee.

IT IS FURTHER ORDERED, under § 38-27-390 of the South Carolina Code, that the corporate existence of the Respondents be, and is hereby, dissolved, and that the Liquidator file a certified copy of this order with the South Carolina Secretary of State.

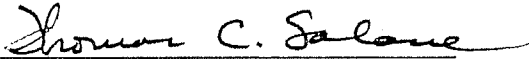
AND IT IS SO ORDERED.

/s/ J. Ernest Kinard, Jr.
Circuit Court Judge

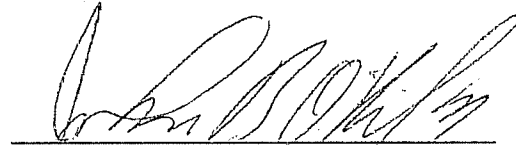
Hon. Earnest Kinard
Chief Administrative Judge
Fifth Judicial Circuit

March 21, 2005
Columbia, South Carolina

WE CONSENT:

Handwritten signature of Thomas C. Salane in cursive script, underlined.

Thomas C. Salane
Attorney for the Respondents

Handwritten signature of John B. O'Neal, III in cursive script, underlined.

John B. O'Neal, III
Associate General Counsel